

※ This Policy differs slightly from “Important Policy of Administrative Reform”(December 24, 2005 Cabinet Decision).

Provisional Translation

Basic Policy for the Reform of Government Assets and Debts

November 29, 2005

Council on Economic and Fiscal Policy (CEFP)

Reform of Government assets and debts is essential in order to realize a “small and efficient government” and suppress the increase in Government debt. The volume of Government assets and debts will further be reduced through such measures as maintaining the reduction of the balance of loans of the Fiscal Loan Fund by the fiscal investment and loan reform achieved to date, continued reduction of expenditure, and promoting the sale of marketable national properties. In particular, this reform will be carried forward in conjunction with the special accounts reform and the reform of policy-based finance, and will be actively promoted as part of the whole balance sheet for the Government. Furthermore, as for the modality of assets and debts management, reviews will be advanced, and measures will be taken so as to disclose information in an easy-to-understand manner while proactively incorporating the perspective and techniques of the private sector. Through taking this approach, the volume of Government assets will be trimmed down, which in turn will contribute to improving the Government’s finances, as well as reducing inherent risks such as interest-rate fluctuation.

1. Reduction of the volume of Government assets and debts

(1) With regard to Government assets, the Government will selectively own only those that

are genuinely necessary.

(2) The efforts to streamline Government assets will be facilitated while keeping in mind long-term aims such as roughly halving the ratio of the volume of Government assets to nominal GDP over the course of the next decade.

Note) Although foreign exchange funds, pension trust funds, and other funds that are owned for the purpose of a certain policy, as well as public properties such as roads and rivers that are difficult to sell, will not be the targets of streamlining, there is a need to rationally manage these assets, considering them in light of their respective policy objectives.

(3) Efforts to promote further sales of marketable national properties will be carried out.

(4) Surplus funds and reserves with no clear need will be utilized for such purposes as curbing the balance of Governments bonds, thereby easing the national burden.

2. Issues of assets and debts management

(1) The possibility of selling national properties will be considered, taking into account factors such as sales revenue based on fair market value and opportunity cost.

(2) With regard to securitization of national properties, considerations will be given from the standpoint of target property types, risk diversification mechanism and easing the national burden. In addition, as for securitization of loans, considerations will be made on its adequacy from broad perspectives.

(3) On the issue of the management of national properties, the necessary institutional framework will be established, such as listening to and utilizing the knowledge of the private-sector intellectuals and experts in a sufficient manner.

(4) Laws will be revised to allow the management and disposal of national properties to be

conducted in a more efficient manner.

(5) While continuing to listen to and utilize the knowledge of the private-sector intellectuals and experts in a sufficient manner, the Government will engage in efforts to further strengthen the management policy for public bonds, including further enhancing function of its expert branch.

3. Issues to be tackled immediately

(1) Promotion of efficient utilization of national properties / Promotion of utilization by the private sector

With regard to the use of existing Government buildings and other facilities, enhanced adjustments and audits in a cross-cutting manner at ministries and agencies will be implemented to eliminate wasteful usage. The Government buildings and other facilities that are deemed to be unnecessary as a whole will be sold to the private sector and other available parties in a prompt manner. In the event that those have any surplus in part, the surplus will be available to be provided as loans to the private sector and other available parties.

Furthermore, in the acquisition of a new Government building or other facility, close and careful consideration will be given and a decision taken on whether it will be more beneficial to own or rent such facility.

(2) Promotion of sales of national properties

With regard to national lands that are not in use, including properties paid in kind, active efforts will be made to sell them. As for national lands and others that are not in use, such as irregularly-shaped land, efforts will be made to prepare their condition so that these lands can be sold at an early date after being properly shaped, etc. In addition, temporary use by the private sector of national lands that are not in use will be promoted until said lands are sold.

The Government will submit the Draft Revision for the National Property Law and others to the next ordinary session of the Diet in order to strongly promote the advanced utilization of national properties, as well as their utilization by the private sector, and their sale.

4. Accountability to the public

The Ministry of Finance will formulate a process schedule and report to the Council on the Economic and Fiscal Policy by the end of FY2006 in order to clarify the direction and specific measures of the reform.

5. Measures in local governments

In addition to the Government, local governments will also actively engage in the reform of assets and debts. The direction and specific measures of the reform will be clarified in tandem with grasping the actual situation of assets and debts of each local government, as well as comprehensively reviewing of each of their management systems. The Ministry of

Internal Affairs and Communications will engage in consultations with each local government and request them to promote the reform such as formulating objectives and a process schedule.